

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
CENTRAL DIVISION

FEDERAL TRADE COMMISSION,
Plaintiff,

v.

JASON CARDIFF, et al.,
Defendants.

Case No. 5:18-cv-02104-SJO-
PLAx

**~~[PROPOSED]~~ ORDER
REGARDING TURNOVER OF
FUNDS TO RECEIVER, FILM
STRIP MACHINES,
ACCOUNTING, AND
PRODUCTION OF DOCUMENTS**

On July 29-31, 2019, the Court held a three-day contempt hearing in connection with the Federal Trade Commission's ("FTC") contempt motion (Dkt. 134) and the Court's Order to Show Cause (Dkt. 140). The Court continued the hearing on August 27, 2019 (ECF No. 212), and at the conclusion of the hearing, directed the parties to the contempt proceedings to meet and

1 confer regarding a stipulation addressing: 1) the transfer of \$1.56 million CAD
2 to the Receiver; 2) the oral film strip manufacturing machines; 3) a full and
3 complete accounting; and 4) production of discovery responses and
4 communications. The FTC, the Receiver, and Defendants Jason Cardiff and
5 Eunjung Cardiff have agreed to the filing of this order. Non-party Jacques
6 Poujade has not stipulated.

7 Having considered all filings and pursuant to the hearings in this matter,
8 the Court now enters the following Order in conjunction with the concurrently-
9 issued Order Overruling Non-Party Jacques Poujade's Alternative [Proposed]
10 Order and Objection to FTC's [Proposed] Order Regarding August 27 Hearing
11 ("Related Order"):

12 1. At the end of the three-day hearing on the Order to Show Cause
13 (July 29-31, 2019), the Court found that Jason Cardiff, Eunjung Cardiff, and
14 Jacques Poujade were in contempt of the Court's Temporary Restraining Order
15 (Dkt. 29) and Preliminary Injunction (Dkt. 59), for reasons detailed in the
16 Related Order, specifically finding that:

17 a. Jason Cardiff and Eunjung Cardiff were totally unbelievable, that
18 they lied, that they worked in concert with each other and with
19 others to avoid and violate the conditions of the orders of the Court.
20 7/31/19 Transcript (ECF No. 188) at 390:3-390:7.

21 b. Jacques Poujade was totally unbelievable, that he lied and
22 perpetrated a fraud on the Court in conjunction with Jason and
23 Eunjung Cardiff, and that he created a paper trail perpetuating the
24 fraud on the Court, to advance the interest of the Cardiffs to the
25 detriment of the public, government agencies, the Receiver, and the
26 Court. 7/31/19 Transcript (ECF No. 188) at 390:17-391:1.

27 2. Based on these findings, and to resolve these proceedings, the Court
28 hereby orders the following:

1 **\$1.56 million CAD**

- 2 a. The Court has ordered counsel for Jacques Poujade – Spertus,
3 Landes & Umhofer LLP – to transfer \$1,560,000 CAD
4 (\$1,205,984.80 USD) to the Receiver for the purpose of maintaining
5 those funds pending further order of the Court. 8/27/19 Transcript,
6 6:9-6:25. This transfer has already been accomplished. The transfer
7 of the \$1.56 million CAD to the Receiver resolves the contempt
8 proceedings as to the money at issue. 8/27/19 Transcript, 31:19 –
9 31:22.

10 **Manufacturing Machines**

- 11 b. The Court has ordered the Receiver to release to the possession of
12 True Pharmastrip, Inc. (“True Pharmastrip”) the oral film strip
13 manufacturing machine the Receiver had sequestered on August 6,
14 2019, in Cathedral City, California (the “Cathedral City Machine”).
15 8/27/19 Transcript, 31:2-31:18; 32:1-32:12; Dkt. 212. This release
16 has already been accomplished. The Receiver shall have
17 jurisdiction over the Cathedral City Machine until further order of
18 the Court and may inspect it at reasonable times with reasonable
19 notice.
- 20 c. True Pharmastrip shall without unnecessary delay provide to the
21 Receiver the name, address, and contact information for the
22 Colorado facility where the second oral film strip manufacturing
23 machine (the “Colorado Machine”) will be installed and operated.
24 The Receiver shall have jurisdiction over the Colorado Machine
25 until further order of the Court and may inspect it at reasonable
26 times with reasonable notice.
- 27 d. Upon delivery of the third oral film strip manufacturing machine
28 (the “Third Machine”), True Pharmastrip shall identify to the

Receiver the name, address, and contact information for the facility where it will be installed and operated. The Receiver shall have jurisdiction over the Third Machine until further order of the Court and may inspect it at reasonable times with reasonable notice.

- e. The Court has ordered that it would “allow the machines to be used [by True Pharmastrip] under the jurisdiction of the Court” (8/27/19 Transcript, 31:4-31:5); by receiving and operating the machines, True Pharmastrip has waived any jurisdictional defenses to enforcement of this Order. The Court has made it clear that it is not condoning that the machines can be used for a purpose that may be a violation of federal law. (ECF No. 212.)
- f. True Pharmastrip shall not relocate, sell, or in any other way dispose of the Cathedral City Machine, the Colorado Machine, or the Third Machine without first obtaining permission from the Court. The Receiver must have knowledge of the location of and all relevant details pertaining to the Cathedral City Machine, the Colorado Machine, and the Third Machine at all times. Pending further orders of this Court with respect thereto, the Cathedral City Machine, the Colorado Machine, and the Third Machine are subject to the lien rights of the Receiver under state and federal law, and are subject to those portions of the Preliminary Injunction (Dkt. 59) that prevent third parties from taking any actions or conducting any levies as to such machines. True Pharmastrip shall provide to the Receiver all documentation concerning the machines and their purchase and transfer within five days of the entry of this Order.

Accounting of Assets

- g. Eunjung Cardiff and Jason Cardiff (“the Cardiffs”) shall produce to the FTC and the Receiver a full and detailed accounting, under oath,

1 of all assets held by, for the benefit of, or otherwise controlled,
2 directly or indirectly, by Eunjung Cardiff or Jason Cardiff (or both)
3 for the period from July 31, 2018 to the date of this Order. The
4 detailed accounting shall include each deposit/credit to, and each
5 withdrawal/debit from, all accounts, including the source of each
6 deposit/credit, the recipient or beneficiary of each withdrawal/debit,
7 and the purpose of each debit, and shall include the production of
8 primary source documents (e.g., bank statements, copies of fronts
9 and backs of checks, wires), evidencing all debits and credits from
10 all accounts, and not merely secondary source documents, such as
11 ledgers. The documents shall be produced within thirty days of
12 entry of this Order.

- 13 h. The Cardiffs and Jacques Poujade shall each produce to the FTC
14 and the Receiver a full and detailed accounting, under oath, of all
15 assets transferred into and out of accounts held by, for the benefit of,
16 or otherwise controlled by True Pharmastrip or any of its
17 subsidiaries—including any accounts with Sui & Company, any
18 accounts held under the company's previous name, Clover
19 Cannastrip Thin Film Technologies, Inc., or any accounts of
20 Pharmastrip Corp. or Alphatech Holdings, LLC—for the period
21 from July 31, 2018 to the date of this Order. The detailed
22 accounting shall include each deposit/credit to, and each
23 withdrawal/debit from, the subject accounts, including the source of
24 each deposit/credit, the recipient or beneficiary of each
25 withdrawal/debit, and the purpose of each debit, and shall include
26 the production of primary source documents (e.g., bank statements,
27 copies of fronts and backs of checks, wires), evidencing all debits
28 and credits from all accounts, and not merely secondary source

documents, such as ledgers. The documents shall be produced within thirty days of entry of this Order.

Other Discovery Requests

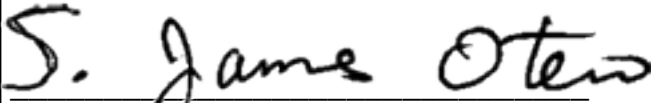
- i. Eunjung Cardiff and Jason Cardiff shall within thirty days of entry of this Order comply with the FTC's February 22, 2019 First Request for Production of Documents.
- j. Jacques Poujade shall within thirty days of entry of this Order comply with the FTC's April 10, 2019 Subpoena for Documents, to the extent the Subpoena requests information falling within the scope of this Court's expedited discovery (ECF No. 59 at 35-36) and this Order. The parties are reminded that the Court's expedited discovery permits discovering: "(1) the nature, location, status, and extent of Defendants' Assets; or (2) compliance with this Order." (ECF No. 59 at 35.) Such expedited discovery includes communications in any form between Defendants and Mr. Poujade. Such expedited discovery also includes communications between Mr. Poujade and individuals/entities affiliated with Pharmastrip pertaining to the nature, location, status, and extent of Defendants' Assets, and compliance with the TRO and PI. Counsel for the FTC and counsel for Mr. Poujade shall continue to meet and confer to accomplish Mr. Poujade's compliance. Any discovery dispute within the scope of the Court's expedited discovery and this Order shall be brought to the Court's attention in a renewed motion for contempt. Any discovery dispute extending beyond the scope of this Court's expedited discovery and this Order shall be resolved pursuant to the Standing Order, Local Rules, and Federal Rules of Procedure.

- 1 k. Eunjung Cardiff, Jason Cardiff, and Jacques Poujade shall within
2 thirty days of entry of this Order produce to the FTC all
3 communications of any type, including emails, text messages, and
4 encrypted chat messages (e.g., Whatsapp, Signal, Telegram), from
5 October 12, 2018 through the present with any of the following
6 individuals/entities: Jason Cardiff, Eunjung Cardiff, Jacques
7 Poujade, Richard Poujade, Ralph Olson, Dana Rohrabacher,
8 Kamlesh Shah, Anton Drescher, Haywood Securities, Falcon, and
9 Industrial Court L7. This Order does not require the Cardiffs to
10 produce any communications already obtained by the FTC as a
11 result of the Cardiffs' turnover of their mobile phones (Dkt. 217).
- 12 l. This Order does not require the Cardiffs or Jacques Poujade to
13 produce any information or documents they have previously
14 produced to the FTC and/or the Receiver, including any documents
15 obtained in the initial access of the Defendants' premises and/or
16 pursuant to the terms of the TRO and/or the PI.
- 17 m. All documents produced in response to this Order shall be treated in
18 accordance with the Protective Order entered on September 24,
19 2019 (Dkt. 219).
- 20 3. For each day that Defendants do not comply with the terms of this
21 Order, for the reasons set forth in the Related Order, Defendants will be
22 incarcerated.
- 23 4. For each day Mr. Poujade does not comply with the terms of this
24 Order, for the reasons set forth in the Related Order, Mr. Poujade will be ordered
25 to pay the Court: (1) \$5,000 per day for the first seven days, (2) \$10,000 per day
26 for the following seven days, (3) \$15,000 per day for the following seven days,
27 and (4) an increase of \$5,000 per week until he comes into compliance. The
28 Court may, in its discretion, revisit Mr. Poujade's sanction and later order

1 coercive incarceration if a monetary sanction proves ineffective in securing Mr.
2 Poujade's compliance with the Court's orders.

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4 IT IS SO ORDERED.

5 DATED: 10/29/19

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7 HON. S. JAMES OTERO
8 UNITED STATES DISTRICT JUDGE
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